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**San José Mayor Reed's Budget Message Focuses
on Fiscal Responsibility and Transparency**

Mayor Urges City to Eliminate San José's Long-Term Structural Deficit

SAN JOSE – Reflecting his commitment to honesty, fiscal responsibility, and open government, Mayor Chuck Reed today released his 2007-2008 Mayor's June Budget Message, calling for the City Council to address the current \$16 million deficit and get to work on fixing the City's long-term structural budget deficit.

"San José's structural budget deficit is Public Enemy Number 1. It's a tough problem, but with hard work and resolve, we can fix it," Mayor Reed said. "This year, we've said it's time to stop ignoring our long-term problems."

The structural deficit results from increases in ongoing expenses outpacing the growth in revenues, which makes it difficult for the City to improve the services that residents want such as police, fire, community centers, swimming pools, and street maintenance. The City's backlog of deferred maintenance and infrastructure needs also continues grow under the structural deficit scenario.

The June Budget Message is a milestone in the City's first-ever Community Based Budgeting Process, a commitment that Mayor Reed made when elected. "We've had an open and transparent budget process," he said. "For the first time ever, we've asked the residents to tell us which City services are most important to them and gotten them involved in the budget process."

On Monday, June 11, the community will have another opportunity to weigh in when the City Council holds its final budget hearing at 7 p.m. The City Council will vote on adoption of the Mayor's June Budget Message on Tuesday, June 12 at the 1:30 p.m. Council meeting. The final vote on the budget will take place at the 1:30 p.m. City Council meeting on Tuesday, June 19.

Reflecting community input to keep San José the Safest Big City in America, the Mayor's June Budget Message proposes adding 15 new police officers. To keep neighborhoods safe, three officers will be deployed to the Traffic Enforcement Unit and a sergeant assigned to crime prevention and the Neighborhood Watch program.

In addition to public safety, the top priorities for residents were improving street maintenance and parks maintenance. The 2007-2008 budget will include \$5 million in funding for road maintenance and sets aside one-half of the 2006-2007 ending fund balance for street improvements. Eleven new staff members will be added to the parks maintenance staff.

The Mayor's Budget Message avoids layoffs in solving the deficit. Any increases over the City Manager's proposed budget are offset with budget cuts. Additions include funds to:

- Remediate toxics at Watson Park, restoring the park to community use (\$5 million in City funds and \$2 million in Redevelopment Agency funds).
- Make \$100,000 in improvements to the Police Athletics League stadium and allow the PAL to enter into creative public-private partnerships for future funding.
- Implement a 90-day pilot program to allow downtown restaurants and nightclubs to have "soft closings," staying open until 3 a.m. without serving alcohol at a cost of \$167,245. At the end of the pilot, the City will explore options to require downtown nightclubs to fund the \$1 million in police overtime costs required for a safe downtown entertainment zone.
- Support the 1st Act vision for a vibrant downtown that encourages iconic public art, outdoor meeting spaces, a wireless network, boutiques, cafes, colorful signs, and street vendors by funding the Small Wonders work plan (total funding commitment to be determined in the Redevelopment budget in August).

"We have a long-term challenge, and I'm pleased that we're finally facing it," Mayor Reed said. "Costs continue to increase faster than revenues. Our maintenance backlog totals \$445 million. The City also faces an unfunded liability of \$1.4 billion for retiree medical care. These challenges are daunting, but with hard work, we can solve them."

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